55TH CONGRESS, 1st Session. } SENATE. { DOCUMENT No. 176.

JAPAN AND THE GOLD STANDARD.

JULY 7, 1897.—Ordered to be printed.

Mr. PETTIGREW presented the following:

JAPAN AND THE GOLD STANDARD.

STATEMENT OF THE REASON FOR ADOPTING THE GOLD STANDARD, BY SENATOR PETTIGREW—TRANSLATION OF THE NEW CURRENCY LAW OF JAPAN—SPEECH OF THE MINISTER OF FINANCE PRESENTING THE SAME TO THE JAPANESE HOUSE—TRANSLATION OF THE REPORT OF THE JAPANESE CURRENCY COMMISSION.

In 1871 Japan adopted the gold standard, which was a gold yen containing 25.72 grains, nine-tenths gold and one tenth copper. In 1876 the trade yen, composed of 420 grains, nine-tenths silver and one-tenth copper, was made equal in value to the gold yen. And in 1878 the trade yen was reduced in weight to 416 grains, nine-tenths silver and one-tenth copper, and made legal tender for any amount, thus establishing bimetallism at the ratio of about 16 to 1, and this continued to be the law until the present year, when Japan again adopted the gold standard, making a gold yen, weighing 11.574 grains of pure gold, the standard of value, thus establishing a ratio of 32 to 1 between gold and silver, for the silver yen is continued in circulation for the present at its old value.

This act thus recognizes the appreciation of gold to the extent of 100 per cent, and makes the new coin receivable for all debts, and decrees that all gold coins heretofore made shall pass for twice their nominal value, for the new coin contains just one-half the amount of pure gold the old coins contain.

There has been much controversy about the reason which induced Japan to make this change. From a careful reading of the speech of Count Matsukata when the bill for adopting the gold standard was presented by him to the House of Representatives, I am convinced that the gold standard has been adopted entirely in the interest of the creditor classes of Japan, and for the purpose of preventing a further decline in the purchasing power of their credits; and the manufacturing classes have been induced to accept the change by the argument that it would crystallize the advantage that Japan already has over gold-using countries as a result of the appreciation of gold in the past, and thus perpetuate and make certain her advantage in the future.

Previous to 1868 Japan was governed by a feudal aristocracy, the Emperor being a mere figurehead, but at that time a peaceable revolution occurred by which the Emperor became the real head of the Government, and the feudal aristocracy surrendered their right to draw salaries from funds collected by taxation, and received in return therefor the bonds of the Japanese Government for the sum of 174,000,000 of yens, and they thus at once became the creditor and moneyed class of the country, for this sum at that time was equal to a sum five times as great in the Western world. The feudal aristocracy, therefore, became at once the moneyed aristocracy of the Empire; and owing to the fact that they had been the ruling classes in the past, their suddenly acquired wealth and their knowledge of government has perpetuated their power and enabled them to dictate the affairs of the nation ever since.

In order to make these bonds more valuable, in 1876 the Japanese Government at the instigation of the bondholders adopted the national banking system of the United States. These bonds were used as a basis for circulation, and the creditor classes became the bankers of the Kingdom. In 1882, when the present Bank of Japan was established, these bondholders became the subscribers of this stock, and their bonds were used as security for the circulation of paper money.

Since the war with China prices have risen about 30 per cent, and the creditor classes became alarmed, as will appear from the speech of the minister of finance, where he undertakes to show that silver must continue to decline as compared with gold, owing to its increased production, and to the fact that many more nations are adopting the gold standard, clearly indicating that this feeling of alarm is for the value of securities owned by the creditor classes. He also calls attention to the fact that prices have risen 30 per cent since the war, and these two arguments are the very arguments used by Chevalier to induce the people of France to demonetize gold after the discoveries in California, and they are the arguments which induced the creditor classes of England to adopt the gold standard after the defeat of Napoleon at Waterloo, and are the very reasons that induced the creditor classes of the United States so recklessly to secure the adoption of the gold standard after the enormous debt had been incurred by our Government in suppressing the rebellion.

The power and influence of the creditor classes of Japan have been greatly enhanced by the debt incurred as a result of the war with China, and thus the situation presents many features very similar to that which induced Germany, in 1873, England, in 1816, and the United States, in 1873, to adopt the gold standard. In every instance the producers of wealth were not considered. It is true that the minister of finance in Japan argued that the rise in price would cut off exports from Japan, and therefore the manufacturing classes were interested, but he makes no argument which appeals to the farming classes, which is the paramount industry of Japan. They are entirely left out of consideration. The result of the adoption of the gold standard in Japan must be the same there as elsewhere. It can not help but result in the further appreciation of gold and a corresponding apparent decline in the value of silver, and a decline in the gold price of all products which will check Japan's wonderful industrial prosperity and transfer her industries to China, if China remains upon a silver basis. Already gold has risen in value sufficient so that there is a profit in exporting it from Japan and a slight per cent of advantage in manufacturing all kinds of goods in China over the manufacture of like goods in Japan.

As a result Japan will also experience the same ruin to her agricultural classes as has resulted to agriculture in every gold-standard country in the world. She seems to have disregarded absolutely the warning of her currency commission.

Under part 2 of the report of the currency commission appointed by Japan, which report is printed herewith, under the head of the "Effect of the adoption of the gold standard upon gold countries," the commission make the following statement:

Article 5. *Loss to debtors and taxpayers.*—This is necessarily the case when they have to pay their debts with money the purchasing power of which has increased after the debt was incurred.

Article 6. *Depression of commerce and industry.*—It is quite natural that commerce and industry should not flourish when prices of commodities decline and debtors and taxpayers are in distress. When prices decline day by day merchants hesitate to purchase and manufacturers to make, and then the general depression follows. This is true in England, where commerce and industry do not prosper and cotton and other industrial businesses have been retarded. It is also the case in the United States, where a panic occurred in 1893, 640 banks closed during the year, large numbers of factories closed, and trade in general was suspended. In Germany, also, the same depression was felt and a silver commission was appointed to investigate this matter.

Article 7. *Decline of rate of interest.*—When prices decline and commerce and industry are depressed, the apprehension of failures prevents capitalists from investing money in new enterprises. Besides, as capital invested in silver countries will be withdrawn, more money will be left unemployed, the demand will decrease, and at last the rate of interest will fall.

Article 8. *Distress of farmers.*—The income of farmers decreases, and the prices of land fall together with the fall in prices of agricultural products. This distress is, moreover, enlarged by the heavier burden upon taxpayers.

Article 9. *Decrease in revenue.*—The revenue from taxes on consumption, from income tax, from posts, telegraphs, and railroads, increases very slightly in comparison with silver countries.

Article 10. *Distress to employers.*—This is naturally the case with the employers who have to pay wages and salaries to the employees with money the purchasing power of which has increased. As, especially, wages do not only fall with the prices of commodities, but generally take the contrary course, employers have to restrict their business. Any attempt on their part to decrease wages will be met with strikes or some other form of opposition.

Article 11. *Decrease in demand of labor.*—This is naturally the case with the depression of agriculture, industry, and commerce. Many also go out of employment, and paupers and criminals increase accordingly.

Article 12. *Increase of imports from silver countries.*—As gold countries can buy goods cheaper from silver countries, their consumption of the products of the latter countries increases, and the balance of trade with these countries generally goes against the former. This is to be seen in the trade returns of England, the United States, Germany, France, etc. The capital invested in silver countries from gold countries may, to some extent, account for this feature, but there is no doubt that the cheap importation from silver countries is one of the causes.

Just what has happened in the past to other countries must happen to Japan. I predict that her prosperity will be transferred to other Asiatic countries that are on a silver basis, and that her farming classes will soon begin to feel the disastrous result of a decline in prices and an appreciation of the standard of money, and this must continue for the next few years. If, ultimately, the United States should adopt the free and unlimited coinage of both gold and silver, at a ratio of 16 to 1, the appreciation of silver bullion will be great, and, consequently, the appreciation of the value of the Japanese yen, which will place the creditor classes of Japan at a disadvantage and cause them to at once secure legislation to change the ratio of coinage and increase the amount of gold in the yen, thus escaping the result, as far as they are concerned, of the action of their Government at this time in adopting the gold standard, for I apprehend they will be as able to change the ratio then as they have been able to do it now.

The following is a translation of the new currency law adopted by Japan.

"ARTICLE I. The power of minting and issuing coins belongs to the Government.

"ART. II. A weight of 2 fun (11.574 grains troy) of pure gold shall be the unit of coinage, which shall be called a yen.

"ART. III. The varieties of coin shall be as follows:

"*Gold coins:* Pieces of 20-yen, 10-yen, and 5-yen.

"*Silver coins:* Pieces of 50-sen, 20-sen, and 10-sen.

"*Nickel coins:* Pieces of 5-sen.

"*Copper coins:* Pieces of 1-sen, and 5-rin.

"ART. IV. The decimal system shall be adopted for purposes of currency calculation. The hundredth part of a yen shall be called a sen, and the tenth part of a sen shall be called a rin.

"ART. V. The composition of the coins shall be as follows:

"*Gold coins:* 900 parts of pure gold to 100 parts of copper.

"*Silver coins:* 800 parts of pure silver to 200 parts of copper.

"*Nickel coins:* 250 parts of nickel to 750 parts of copper.

"*Copper coins:* 950 parts of copper, 40 parts of tin, and 10 parts of zinc.

"ART. VI. The weights of the coins shall be as follows:

	Momme.	Grammes.
The 20-yen gold piece	4.444	(16.6665)
The 10-yen gold piece	2.222	(8.3333)
The 5-yen gold piece	1.111	(4.1666)
The 50-sen silver piece	3.5942	(13.4783)
The 20-sen silver piece	1.4377	(5.3914)
The 10-sen silver piece	0.7188	(2.6955)
The 5-sen nickel piece	1.244	(4.6654)
The 1-sen copper piece	1.9008	(7.1280)
The 5-rin copper piece	0.9504	(3.5640)

"ART. VII. Gold coins shall be legal tender to any amount. Silver coins shall be legal tender to the amount of 10 yen. Nickel and copper coins shall be legal tender to the amount of 1 yen.

"ART. VIII. The dimensions of the coins shall be fixed by Imperial ordinance.

"ART. IX. The legal remedy of fineness shall be 1–1000 in the case of gold coins, and 3–1000 in the case of silver coins.

"ART. X. The legal remedy of weight shall be as follows: Twenty-yen gold coin, 0.00864 momme (0.0324 grammes) or 0.83 momme (3.1125 grammes) in 1,000 pieces. Ten-yen gold coin, 0.00605 momme (0.02269 grammes) or 0.62 momme (2.325 grammes) in 1,000 pieces. Five-yen gold coin, 0.00432 momme (0.0162 grammes) or 0.41 momme (1.5375 grammes) in 1,000 pieces.

"In the case of the silver coins, legal remedy of weight shall be 0.02592 momme (0.0972 grammes) for each piece, or 1.24 momme (4.65 grammes) in each 1,000 pieces of 50-sen; 0.83 momme (3.1125 grammes) in each 1,000 pieces of 20-sen, and 0.41 momme (1.5375 grammes) in each 1,000 pieces of 10-sen.

"ART. XI. The minimum circulating weights of the gold coins shall be as follows:

	Momme.	Grammes.
20-yen gold coin	4.42	(16.575)
10-yen gold coin	2.21	(8.2875)
5-yen gold coin	1.105	(4.1438)

"ART. XII. If, in consequence of friction from circulation, any of the gold coins fall below the minimum circulating weight, or if any of

the silver, nickel, and copper coins become visibly reduced owing to the same cause, or if any coins become inconvenient for purposes of circulation, the Government shall exchange such coins for others of the same face values without making any charge.

"ART. XIII. If the design upon a coin becomes difficult to distinguish, or if it has been privately restamped, or otherwise defaced, it shall be regarded as unfit for circulation.

"ART. XIV. Should any person import gold bullion and apply to have it minted into gold coin, the Government shall grant the application.

"ART. XV. The gold coins already issued shall circulate on an equality with the gold coins issued under the provisions of this law.

"ART. XVI. The silver 1-yen coins already issued shall be gradually exchanged for gold coins, according to the convenience of the Government, at the rate of one gold yen for one silver yen.

"Pending the completion of the exchange referred to in the last paragraph, silver 1-yen coins shall be legal tender to an unlimited extent at the rate of one silver yen for one gold yen; and the suspension of their circulation shall be notified six months in advance by Imperial ordinance. Any of these coins not presented for exchange within a period of five full years, reckoned from the day on which their circulation is suspended, shall be regarded thenceforth as bullion.

"ART. XVII. The 5-sen silver coins and the copper coins already issued shall continue in circulation as before.

"ART. XVIII. From the day of the promulgation of this law the coinage of 1-yen silver pieces shall cease; but this restriction shall not apply to silver bullion intrusted to the Government for coinage prior to that date.

"ART. XIX. All previous laws or ordinances conflicting with the provisions of this law are hereby rescinded.

"ART. XX. With the exception of Article XVIII, this law shall go into operation from the 1st day of the 10th month of the 30th year of Meiji (October 1, 1897)."

CURRENCY REFORM IN JAPAN—A FULL SUMMARY OF THE REPORT OF THE CURRENCY COMMISSION—THE QUESTION DISCUSSED AND THE CONCLUSIONS REACHED REGARDING THE USE OF GOLD AND SILVER IN EUROPE—THE EFFECT OF THE SILVER STANDARD IN JAPAN AND THE ANTICIPATED RESULTS OF THE ADOPTION OF THE GOLD STANDARD.

A full summary of the findings of the currency commission appointed by the Japanese Government in 1893 has just been received by the Japanese Legation at Washington and translated, by the courtesy of the legation, for the Journal of Commerce and Commercial Bulletin. It has been known in this country that the commission failed to reach a complete agreement when it completed its work in March, 1895, but the very fact of this lack of agreement has prevented the knowledge of other details of the work and conclusions of the commission. The commission was appointed under an act of Parliament by the Emperor and consisted of public officials, bankers, merchants, and professors, chosen from among the most eminent in their several professions. The commission was appointed in 1893 to investigate the following questions: (1) The causes and effects of the recent change of ratio between gold and silver; (2) the effects of the change upon Japan; and (3) whether such change necessitates the reform of our present currency system,

and if so, to determine what new standard of currency shall be adopted and how it shall be done.

As these questions covered quite a wide field of inquiry, the commission, at its first meeting, held October 25, 1893, selected a special committee to make preliminary investigations into the first two questions. The special committee thereupon took up the matter and finished its work March, 1895. It agreed generally to the statements contained in Chapters I and II, affixed thereto, but could not come to an understanding upon the questions covered by Chapter III. Accordingly the majority and minority of the committee submitted separate reports to the commission.

The currency commission on receipt of this report met on several occasions and unanimously indorsed Chapters I and II. It, however, differed on Chapter III, and at last, after lengthy discussion, adopted the chapter by a majority of 10 against 5.

The commission, excepting one member, was of the opinion that the change of the ratio between gold and silver was so far beneficial to Japan, and that therefore there is for the present no necessity of changing our currency system. However, it differed on the point whether there will possibly in future arise such necessity. Eight took the affirmative, seven the negative. The commission then proceeded to the discussion about the kind of metal to be made the future standard of currency and the method of carrying out the reform. Six out of eight voted for gold and two for bimetallism. The committee, however, could not reach a conclusion about the method of enforcing the new monetary system. Some urged an immediate change, while others preferred to make only necessary preparations for the future. Some proposed to wait an international arrangement, while others wished to establish bimetallism independently of other nations.

Chapter I.—The causes of the change in the ratio between gold and silver and its general effect.

Section I. During about two hundred years, from 1687 to 1873, the ratio between gold and silver did not change very much, the difference in the London market having been between 14.14 to 16.25 to 1 per ounce. The rate, however, in March, 1894, was 34.61 to 1. The ratio in Japan differed independently from other countries during her ages of seclusion. Still, we come to recognize lately a marked change in our country in the ratio of the two metals.

(Here follow tables to verify the statement. The same is the case at the end of each following section, paragraph, article, etc.)

Section II. In China, India, and other silver countries the price of silver has changed only slightly as against commodities, with the exception of some tendency in late years to fall even against commodities. But according to the investigations made as to the prices of commodities in England, the United States, France, Germany, etc., gold has advanced remarkably as against commodities.

Section III. The following are the principal causes of the change in the ratio of gold and silver:

(1) Increase in production of silver.—Silver was produced in nearly the same quantities until about 1840. But its production for ten years after 1841 averaged 25,000,000 ounces a year, and it has increased so much ever since that, notwithstanding the continuous fall of silver after 1873, its production in 1892 was four and a half times the average amount for five years after 1851. The enormous amount of 128,000,000

yen of silver which Germany is ready at any time to put on the market has the same effect upon the price of the metal as its increased production.

(2) Reduction in cost of production of silver.—It is very hard to find out the comparative cost of production of silver in different ages on account of the difficulty we have in procuring reliable information and in ascertaining the expenses of reducing different ores. Professor Austin estimates it at 2½d. per ounce, while others estimate it at 24d. There is no doubt, however, that the cost has been decreased very much with the progress of the arts of metallurgy and mining and the development of communication. In Japan the decrease in cost of production from 1882 to 1891 is about 4 sen and 1 rin per momme.

(3) Demand for silver as money does not increase in proportion to the increase of its production.—In 1873 Germany and the Scandinavian Kingdom adopted the gold standard. In 1874 the Latin Union restricted for three years the coinage of silver except for subsidiary coin. In 1875 the Netherlands adopted the gold standard. In 1878 the Latin Union abrogated bimetallism and agreed not to coin silver except for subsidiary coin. In 1879 Austria closed her mint to free coinage, and in 1892 adopted the gold standard. For twenty years preceding 1870 the amount of silver coined in these countries exceeded the production, but for twenty-two years after the change of monetary systems in these countries since 1872 the total amount of silver coined was far less than the production. Especially has this been the case since June, 1893. India has closed her mints to free coinage, and an annual absorption of 26,140,000 ounces of silver as her currency since 1875 has been stopped. The absorption of 54,000,000 ounces of silver into the United States Treasury was stopped since October of the same year by the repeal of the so-called Sherman Act. Russia has in the same year refused to coin the people's silver in her mints. In July of the same year she prohibited the import into her Central Asiatic regions of all foreign silver coins except Chinese coin, called Kwan Hsui Yuan Pao, and later also the import of foreign silver coins in her maritime territories.

(4) Decrease in demand for silver as articles of art.—Lately silver and all silver wares are not liked so much as gold. The duties to be paid in gold upon silver wares being naturally heavy in proportion to the prices of the wares, it has to some extent disturbed the growth of the demand for silver wares. We notice that the consumption of silver for art has, in spite of the fall of its price, decreased instead of increasing in proportion to the production.

(5) The total amount of silver to be affected in price by the increase or decrease of supply and demand is small in proportion to the increase of its supply.—More than half of silver coins being of a representative character, they are higher in price than their face value. Silver used in the arts, being also higher in price than its actual value, it does not appear in the market even if silver appreciates more or less, and it lies entirely beyond the influence of supply and demand. The only part of this metal which is affected by supply and demand are unworked silver and silver coins having a real price. Therefore the production of silver in enormous quantities must affect very much the price of silver belonging to these classes.

(6) The proportion of increase in production of gold is less than that of increase in silver.—Gold was produced in comparatively small quantities until 1840. The production then began to increase until the average amount of production for five years after 1851, upon the discovery of rich mines in California and Australia, became over three and

a half times more than the average for ten years before 1851. The increase has, however, not been so steady after that, and the amount of production in 1893 is only about 1½ per cent more than the average amount for five years after 1851. Silver, on the other hand, has, as was seen, multiplied four and a half times.

(7) Increase in demand for gold as money.—The demand for gold as money increased since 1873, as the necessary consequence of the monetary reforms adopted in Germany and other European countries. The amount of gold coined during twenty years preceding 1870 exceeded its production for the same period by 14,000,000 ounces, while during twenty-two years since 1871 the excess amounted to 39,000,000 ounces.

(8) Increase in demand for gold as articles of art.—We notice in Europe, and especially in the United States, the increase of demand for gold for use in the arts.

(9) Growing tendency to accumulate gold.—We notice the fact that several governments, nations, and especially banks, are hoarding gold. This is due to the general tendency to value this metal more highly, and also to the convenience and security with which it can be kept.

Section IV. The effects of the change of ratio between gold and silver.

Part I.—Effects upon silver countries.

Article 1. *Increase of exports.*—There is no question that the change of ratio between gold and silver stimulates exports. This is due first to the fact that the prices of commodities in silver countries being practically low as against those in gold countries, the former have great advantage over the latter with respect to export. Besides silver countries have an advantage in competing with gold countries in the same articles made in both countries.

Article 2. *Rise in prices of commodities.*—As has been seen, gold has not only appreciated very much as against prices of commodities, but also against silver, while silver has not depreciated much as against commodities. However, if the demand for silver shall become less in the future and its price decline more, the prices of commodities will rise. This rise will be enhanced by the increase of money consequent upon the increase of exports from silver countries.

Article 3. *Light burden of debtors and taxpayers.*—It is quite an advantage to everybody to borrow money and pay it after a decline. The borrower, as a matter of fact, gets money having more purchasing power and pays in money with less purchasing power.

Article 4. *Good condition of agriculture.*—The change in the ratio of the two metals causes the rise in prices of agricultural products. Farmers can get more income and pay taxes easier than before. Beside the lightening of their burden and the rise in price of their farms induce them to make improvements and encourage them to wider cultivation.

Article 5. *Development of commerce and industry.*—The increase of exports and the inducement offered to merchants to purchase, and manufacturers to make more, by reason of the rise in prices of commodities, lead to general prosperity in commerce and industry. We notice this feature in India, especially in the growth of her cotton mills, before the change of her monetary system. As regards China, we have no reliable statistics, but her industry has, we have no doubt, greatly developed lately.

Article 6. *Increase in revenue from taxes and other sources.*—The tax upon consumption, the income tax, and other revenues, such as from

posts, telegraphs, and railroads, increase with the increase of production and the prosperity of commerce and industry. We notice this fact in India before the change of her monetary system; in Austria, Russia, and Mexico.

Article 7. *Increase in demand for labor.*

Article 8. *Increase of national expenditure.*—The rise in prices of commodities necessitates the increase of the Government funds for purchasing several articles, and the appreciation of gold demands similar increase in Government funds for maintaining their offices in gold countries and for payment of their debt abroad. This is especially the case with India, which has to pay large amounts in pounds sterling annually to England.

Article 9. *Distress of those who receive fixed wages.*—This is naturally the case when daily expenses increase with the rise in prices of commodities. Wages go up sooner or later; but as they do not go with the same speed as the rise in prices, laborers have to suffer, at least for a time.

Article 10. *The disadvantages to creditors.*—This is just the opposite case to that of debtors.

Article 11. *Growth of speculative enterprise.*—When prices go high and commerce and industry assume a favorable aspect, business transactions are generally enlarged and new enterprises are contemplated. A reaction must, however, take place, and often leads to panic.

Article 12. *Rise in prices of commodities imported from gold countries and decrease in imports.*—As long as the prices of commodities in gold countries do not decline as much as the difference of the two metals, silver countries have to pay higher prices for goods imported from gold countries. In other words, the prices of goods from gold countries have so far risen in silver countries. We notice that the change in ratio of gold and silver, which has been especially great these two or three years, decreased imports from gold countries.

Part II.—Effects upon gold countries.

Article 1. *Profits to creditors.*—The effects of the change of ratio between gold and silver upon gold countries are just the opposite to those upon silver countries. The price of commodities having fallen, gold has more purchasing power than before. According to the investigations made in gold countries, the prices of commodities have fallen from 100 in 1873 to 70 in 1894, so that the purchasing power of money has increased .429 per cent, which is the direct profit to creditors.

Article 2. *Fall in prices of commodities imported from silver countries.*—The prices of commodities in silver countries are rising when there are fluctuations in the ratio of gold and silver. But as the prices do not rise so much as the difference of the two metals, they are still to some extent low as against gold. In other words, gold countries can obtain articles cheaper from silver countries.

Article 3. *Decrease of national expenditure.*—With the increase of the purchasing power of money the Government funds for purchasing articles and for paying debts to silver countries naturally becomes smaller. It has decreased about .429 per cent since 1873.

Article 4. *Depreciation of prices of commodities.*—(See Section II.)

Article 5. *Loss to debtors and taxpayers.*—This is necessarily the case when they have to pay their debts with money the purchasing power of which has increased after the debt was incurred.

Article 6. *Depression of commerce and industry.*—It is quite natural

that commerce and industry should not flourish when prices of commodities decline and debtors and taxpayers are in distress. When prices decline day by day merchants hesitate to purchase and manufacturers to make, and then the general depression follows. This is true in England, where commerce and industry do not prosper and cotton and other industrial business have been retarded. It is also the case in the United States, where a panic occurred in 1893; 640 banks closed during the year, large numbers of factories closed, and trade in general was suspended. In Germany, also, the same depression was felt, and a silver commission was appointed to investigate this matter.

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Part III.—Effects upon the relation of gold and silver countries.

Article 1. *Stagnation of trade between gold and silver countries.*—This is the necessary consequence of the constant fluctuations in exchange quotations, and it sometimes even stops the trade entirely.

Article 2. *Decrease of capital investment from gold to silver countries.*—When the ratio of the two metals is fluctuating gold capitalists hesitate to invest capital in silver countries, and sometimes even try to withdraw funds already invested. The results are that the field of investment becomes narrow in gold countries, and that the supply of capital becomes less in silver countries.

Chapter II.—The effects on the recent change of ratio between gold and silver upon Japan.

Japan, as all other silver countries, partakes of the same advantages and disadvantages. Besides the effects mentioned in articles 1 to 12 in Part I, and articles 1 and 2 in Part III, of section 3 of the preceding chapter, respectively, we notice that the prosperous condition of commerce and industry led the people in general to adopt a higher mode of living, even tending to some luxury. Another feature which has not been specially mentioned as an effect upon silver countries in the foregoing paragraphs, and which is very plainly to be seen in Japan, is the growing import of silver. This may be due to the annual increase of exports from our country, but is also due to the fact that Japan is the only country in the East having its mint opened to free coinage. The annual reports of the director of the mint clearly show the increase of requests made to the mint for coining silver.

Chapter III.—Conclusions.

(1) Radical change in the relative prices of gold and silver.—There is no question that there has been an unparalleled change in the relative prices of gold and silver during the last quarter of a century. In 1873 the average price of silver in London was 59¼ pence per ounce; that is to say, the ratio of gold and silver was 15.92 to 1, while in March, 1894, silver valued at 27¼ pence, i. e., 34.61 to 1.

It is a necessity of primary importance to study whether the cause of this change lies in the appreciation of gold, or in the depreciation of silver, or in the change in the value of both gold and silver. Mere comparison of their relative values is not sufficient for this study. The investigation of prices of commodities both in gold and silver countries must be carefully made.

(2) Gold appreciated more than silver depreciated. In examining the rise and fall of the prices of commodities, we see that they have fallen considerably in gold countries during the last quarter of a century, while they have not changed very much in silver countries, except as regards some tendency to rise during the last two or three years. There being many causes which affect the price of commodities, we can not attribute this rise or fall only to the fluctuations of gold or silver; yet we may say that the considerable fall of prices of commodities in gold countries in general shows the equally remarkable rise of gold as against silver, while the rather stationary condition of prices of commodities, with some tendency to rise in silver countries, shows that silver has only lately begun to decline as against commodities, however great the decline may be as against gold. We therefore conclude that the considerable fall in prices of commodities in gold countries is mainly due to the rise of gold, and that the small rise in prices of commodities in silver countries is mainly to the small depreciation of silver.

Some explain the fall of prices of commodities in gold countries in another way. They say the application of science, the invention of new machinery, the facilities of communication, etc., increased the production by reducing the cost, and thereby caused the fall of prices of commodities. We, of course, admit that this is true, and is also true with gold as with all articles of commerce. But even supposing that gold was an

exception, that its cost of production was not lessened under some counteracting influences, and that gold was not produced in large quantities, we may say that, as a matter of fact, the production of other articles increased before, as it did during, the last quarter of a century, while prices declined, especially during the last twenty-five years. Moreover, it is also to be seen that prices declined considerably during the last two or three years, while the application of science, etc., did not advance to the same degree at the same time.

For convenience sake, let us compare the period of twenty years from 1851 with another period from 1871 down to the present (1895). The increase in the supply of gold during the former period, upon the discovery of gold mines in California and Australia, had depreciated gold and caused a rise in prices of commodities. However, the growth of industry followed this rise in prices of commodities, and the increase of articles consequent upon the growth of industry balanced the increase of money and kept the economic world in harmony. On the contrary, matters progressed entirely differently in the latter period after 1871; the demand for gold increased with the reform of the monetary systems of different countries, gold thereupon appreciated, prices declined, and at last caused the depression in agricultural, industrial, and commercial business. But we are in doubt whether production has greatly increased in the latter period over the former.

(3) The chief cause of change in the ratio of gold and silver is the increased demand for gold in several countries. There are many causes of the radical changes in the ratio between gold and silver, but the most important one is, no doubt, the increase of demand for gold as money. In 1873 Germany adopted the gold standard and absorbed enormous quantities of gold. Other European countries have in succession changed their monetary systems and adopted gold as their standard of money. The powers forming the Latin Union first restricted and then prohibited entirely the coinage of silver, in order to prevent the influx of this metal. Italy and the United States resumed specie payments. Austria made gold the standard. India changed her monetary system. The United States abolished the silver-purchasing law. It is quite evident that the demand for gold as money has increased as a necessary consequence of these changes. It is also no wonder that people began to respect gold more than ever, to use it more in arts, and then to accumulate it as much as possible. The production of gold was not indeed small, but the increasing demand caused it to appreciate.

Although silver, on the other hand, was rejected by many countries, it seems that its price has not changed as much as that of gold. When, however, we notice the rise of prices of commodities in silver countries, we are compelled to say that silver has even depreciated as against commodities. Silver did not depreciate as much as gold appreciated. Above all, the change in the ratio of gold and silver is due to the appreciation of gold.

(4) The change in the ratio of gold and silver gives advantages to the silver countries and disadvantages to the gold countries. The price of commodities is the most important factor in the economic world. Its rise promotes agriculture, industry, and commerce; its fall, the reverse. Every person who holds merchandise hastens to dispose of it, and every person who holds money will hesitate to part with it whenever there is any likeliness of the fall in prices of commodities. The fact is that the merchandise will decline and the money will rise the longer it is kept.

Accordingly, the money owners, creditors, and others who have to receive fixed sums of money will gain, and the merchandise holders, debtors, taxpayers, and others who have to pay fixed sums of money will lose. The loss thus incurred by the merchants, etc., is the cause of the decline of industry and the depression of the market. The prices of commodities have been falling these twenty years in gold countries, and general complaint has for so long a time been heard, particularly in England. In 1885 the commission on tradal depression was formed, with the view of ascertaining the exact state of affairs. They discovered the fact of such depression, but in trying to trace up to the cause of depression they found it necessary to investigate also the merits of their monetary system. This work, however, being entirely beyond the sphere of their power, they recommended their Government to appoint another commission to investigate into the matter. The recommendation was adopted, and next year (in 1886) the commission on gold and silver was appointed. They agreed that both silver and prices of commodities have declined, but they differed as to its cause, some attributing it to the appreciation of gold while others to the depreciation of both silver and commodities, some advising the adoption of gold standard while others of bimetallism. The British Government could, under the circumstances, find no remedy to apply, and has not, therefore, up to the present, adopted any measure of relief. However, prices have declined more and more and the depression has extended further and further until the discussion of monetary reform grew so hot that even some commissioners who had urged the adoption of the gold standard have now changed to bimetallism.

Germany has suffered similar misfortunes. The silver commission appointed last year (1894) have unanimously concluded that the depreciation of silver is injurious both to her home and foreign trade, but that it is impossible for any one power to maintain the price of that metal. The depression having been so general in all the gold countries, they are studying the question with keenest attention, economists and business men are now gradually inclining to bimetallism, and even those who advocate the gold standard admit that it is necessary to find a wider field for the use of silver.

The state of affairs in silver countries is entirely opposed to that in gold countries. The general tendency toward a rise in the prices of commodities naturally encouraged agriculture, industry, and commerce, augmented exports, and even tended to promote the manufacture of many articles that had formerly been imported. In India, before the late monetary reform, there had been great financial difficulty on the part of the Government on account of the fall of silver, but agriculture, industry, and commerce had, on the other hand, been greatly developed.

The greatest injury which falls upon silver countries by reason of this change in ratio of gold and silver is the increase of national expenditure. Such countries as have large amounts of bond as against gold countries, or which have a large indebtedness to be paid in gold, have to suffer very much by reason of the appreciation of gold. India has accordingly changed her monetary system. Some silver countries on the American continent have suspended the payment of the gold bonds. These disadvantages are, however, rather limited only to countries having large indebtedness, and do not prevail universally in all silver countries.

It is most convenient for studying the comparative advantages and

disadvantages in gold and silver countries to look to the actual state of affairs in a country having both systems. England and India are an example. Both are under the British rule, but as regards the monetary system one different from each other in standard. The change in the ratio of gold and silver affects one country just in the opposite direction to that in which it affects the other. In India, export is increased, agriculture and industry developed, the demand for labor multiplied and revenue advanced, while England presents an exactly opposite state of affairs. In England the revenue, which does not decrease much in amount, has as much more purchasing power than before as the fall of the prices of commodities, and it even could produce some surplus. However, the depression of agriculture, industry, and commerce is the decay of the source of revenue, and the British Government has naturally to suffer the consequences. The trouble in India is, on the other hand, not on account of her agriculture, industry, or commerce, but only with her finances. She has large quantities of bonds and an extraordinary amount of expenditure to be paid in gold to England, while, on the other hand, silver has been greatly depreciated. To meet this trouble she has at last effected monetary reform, and she will become a pure gold country. She will thereupon be freed from her financial trouble, but she will, like her mother country, suffer from general depression in agriculture, industry, and commerce. Some, in commenting on this change, say that it has already proved to be a failure, while others predict it to be the case. Above all, it seems to be pretty certain that the British Government was not even confident of the success of this change, if we see that a secretary of state has openly declared in the House that the change was rather of an experimental nature.

(5) Our country has made great economic progress. Although this is due naturally to the intelligence and energy of our nation, the remarkable progress made during these few years must rest greatly upon the change in the ratio of the two metals. One of the most gratifying features of our recent economic progress is the manufacturing of goods formerly imported from abroad and even their export to foreign countries. We have to get a large supply of raw materials for such manufacture, but it is far more profitable to us to buy them than to import manufactured goods. Besides, every facility which Japan has for industrial enterprise and the high prices of imported goods are great inducements to the development of our industry.

The development of our agriculture, industry, and commerce presents the most satisfactory condition, as explained in articles 4 and 5 of Part I, Section III, Chapter I. However, loss follows profit, especially in the affairs of economy. The former resulting in Japan from the change in the ratio of gold and silver is not very small, as the latter is large. But if we compare the benefits mentioned in articles 1-7 with the losses in article 8 et seq., it becomes very plain that we need not be too much afraid of such losses. Some short explanations are given in the following:

(8) Increase of national expenditures. There is no doubt that this is one of the losses we have to suffer. But, fortunately, we have not a large debt in foreign bonds nor many Government expenses to be paid in gold, and such small losses may be met with rather easily by the increased revenue mentioned under article 6.

(9) Distress of those who receive fixed wages. This trouble, however, will be counterbalanced by the increased demand for labor consequent upon the growth of business.

(10) Loss of creditors. This follows naturally the decrease in the purchasing power of money. But when business prospers and transactions

increase, the demand for capital increases and debts are readily paid, thus balancing the loss above mentioned.

(11) Prevalence of speculative enterprise. This is generally true both in gold and silver countries when business prospers. To prevent this we have, however, only to rely upon the vigilance of bankers and the economic world in general.

(12) Rise in prices of goods imported from gold countries. This, however, will be set off by the increase of exports. The high prices of goods practically amounting to the same thing as the imposition of high duties stimulates, on the other hand, the growth of home industry.

(13) Tendency to luxury. When business prospers and income increases the mode of living goes higher and even becomes luxurious. But this can be checked only by the moral forces governing society.

(14) The opening of the mint invites the import of silver. The commission on Indian currency has counted this as one of the things resulting from the opening of the mint. We observe in Japan that the import of silver is increasing, and the requests for its coinage are greater than ever. This is not, however, to be counted as an evil in our country, as such feature is the necessary consequence of the balance of trade in our favor, and also the requests from Hongkong, Singapore and other Straits Settlements to make their coins.

(15) Stagnation in commercial dealings with Japan and gold countries. The constant fluctuation in the foreign exchange market causes stagnation in our trade with gold countries. But if we see to the prosperous condition of our late foreign trade we might say that such fluctuation has only affected commerce temporarily.

(16) Decrease of capital investments from gold countries. Only a small amount of foreign capital has been invested. The withdrawal of such investments, therefore, affects our market only in a slight degree. The change of ratio between the two metals has, as stated above, had a good effect upon our country. But we do not think that the fall of silver and the rise in prices of commodities are absolutely beneficial to our country, especially as the fall of monetary standard will disturb our business. Believing, however, that the decline of silver will not be unlimited, and observing the advantages and disadvantages resulting to our country from such changes, we conclude that we derive more advantage and less disadvantage than the gold countries.

The report of the minority also deals with the particulars mentioned in the foregoing. They, like the majority, admit the advantages and disadvantages accruing to the gold and silver countries from the change of ratio between gold and silver. But they differ in this way, that while the majority lay more importance upon the advantages to Japan the minority view it in another light, and fear the disadvantages rather than the advantages will predominate. The report of the minority concludes in the following words:

> The effects of the change of ratio between gold and silver upon Japan are both advantageous and disadvantageous. The increase of exports and the prosperity of industry and commerce thereby stimulated are the most important of the advantages, while the distress of laborers and the stagnation of foreign trade are among the chief disadvantages. The increase of exports, however, invites more imports of silver, inflates the currency, raises the prices of commodities, and at last will result in the excess of imports over exports. The change of ratio between gold and silver being injurious to all countries, many new schemes will be proposed to remedy the evils, and very often great economic disturbances will be raised in consequence. It is therefore very necessary on our part, in view of such disturbances, to seek the future advantage of our country instead of temporary and alluring benefits, and to establish a sound and steady financial system which will conform to the proper order of things and which will be in harmony with the monetary systems of the powers having the greatest economical relations with our country.

[From the American, by Wharton Barker.]

JAPAN UNDER THE SILVER STANDARD.

Now that Japan has cut herself loose from the silver standard, under which she has prospered, and bound up her fortunes with the gold standard, a standard that has been appreciating for a quarter of a century, and under the weight of which appreciation the industries of the gold-using western world have staggered, it is timely to turn back a page and see what Japan has accomplished under the silver standard she now so rashly puts to one side. Under the gold standard the nations of the western world have not prospered. On the contrary, they have been involved in industrial and financial ills. They have fallen into the toils of commercial depression and industrial stagnation—toils that have been drawn tighter just as gold has appreciated and prices fallen—just as silver and gold have fallen apart in value and a bounty on exports from silver-using to gold-using countries, in the shape of a premium on gold, been built up.

That Japan can take the plunge to the standard that has so scourged the western nations and escape unscathed can hardly be believed. That she will not at once suffer serious consequences from her plunge is, however, most probable. She has made her initial plunge in a way so as not to disturb values or upset trade and industry. She found her currency depreciated by 50 per cent, as measured by the currencies of the western world, and to this depreciated currency values had been adjusted. So, in order not to disturb values, she recognized this depreciation, and in getting down to the gold standard, by cutting in half the gold unit she adopted for herself in 1871, she sets out to make this depreciation permanent. In short, she has adjusted her gold currency to her depreciated silver currency, a currency depreciated in the eyes of the western nations, but not in the eyes of the Japanese people and not in reality, for, as measured in products, the Japanese currency has not depreciated. It is only as measured by gold that it has depreciated, all of which goes to show that it is gold that has appreciated, not silver that has depreciated.

But though the Japanese have adjusted their new gold currency, or are about to adjust it to their silver currency, in short, adjusted their gold currency to the price of silver, their gold currency must, in the future, adjust itself to the fluctuations of gold. And so it is that if gold goes on appreciating as it has for twenty-five years, and as it is most likely to do—and it is worthy of note that the Japanese, in going to the gold standard, have themselves made a new demand for gold that must be potent to raise its value—the Japanese people will suffer a disturbance in values and their industries will be put under the blight of falling prices. At the same time they will suffer from the raising up of a premium on their currency, as measured by silver, such as will increase the cost of Japanese products to silver-using peoples, and consequently act as a tariff against imports of Japanese goods into China and other silver-standard countries, and such as must stimulate importations from silver-using countries into Japan.

But it is not our purpose to go into the eventualities of Japan's action at this place. We have gone into the possible—the probable—results of that action before and a recounting of these results is needless. It is in the examination of Japan's retrospect under the silver standard, not Japan's prospect under the gold standard, that we hope to find profit.

The industrial awakening of Japan along the lines of western civilization falls within the past quarter of a century. Her rapid strides of advancement do not date back so far. Indeed, it is only within the last decade that she has made herself felt as an industrial force in the East. Yet within these few years she has driven European and American manufactures of the coarser grades out of her own markets and she has entered into successful competition with British manufacturers for the neutral markets of the East.

That there should have come about a remarkable industrial growth in Japan is, upon superficial glance, not a little surprising. The Japanese have imitated western methods, and with borrowed tools, and labor unskilled to their use, have successfully competed with Europeans in markets in which, up to within a few years, Europeans have had a monopoly. But for all things there is a reason, and there is the best of reasons for Japan's wonderful growth.

As we have said, the growth of Japanese trade has fallen, in large measure, within the past decade. Now, the reason for this is not difficult to find. There has been a stimulant to this growth, and this stimulant has been especially active during the past decade, and doubly active during the past four years. This stimulant is a protective tariff thrown around all silver-using countries and against gold-using countries, in the shape of a premium on gold, a premium that rises as silver falls, as measured by gold, and that has been especially high and effective of late years.

A premium on gold in silver-using countries has worked as a protective tariff in that it adds to the cost of everything bought from gold-using countries and that must be paid for in gold. Silver has not changed much in value in silver-using countries with its fall in gold price. In fact, it takes close to as much labor, on the part of the Japanese, to obtain the yen to-day as it did twenty-five years ago, when it was worth twice as much in gold. But, when the Japanese buys in England he must now pay at the rate of ten yen for each pound sterling of goods bought. Formerly he had to give but five yen. So it is that the cost of goods bought in England, or any other gold-using country, has been increased to the Japanese, unless the price asked in gold has been cut in half. Anything over half price in gold represents an enhanced cost to the Japanese, and as the gold prices asked for goods by the nations of the western world have not fallen commensurately with the fall in silver, which has obliged the Japanese to give so much more silver for a pound sterling of gold than he had to give formerly, the cost of goods brought from gold-using countries has been enhanced in silver-using countries, and this enhancement has been a wonderful stimulus to home manufacture.

But while the premium on gold has checked the purchases of manufactured goods from gold-using countries by Japan, if we except machinery, the importation of which has been greatly quickened by the industrial development, it has greatly stimulated the exports of Japan, as it has of other silver-standard countries, to Europe and America. The reason for this is clear. The premium on gold has enabled the Japanese to sell for less gold and still get the same price in silver. So it is that the building up of the premium on gold has cheapened the cost of Japanese goods to gold-using Europe and America, and this has not unnaturally led to increased purchases of Japanese goods, and, of course, an increased export trade.

Now, it can readily be seen that the higher this premium on gold the greater would be the bounty on exports, and, naturally, the more rapid

the expansion of Japan's trade. Now, this premium, of course, rose as silver fell as measured by gold. This fall set in upon the closing of the mints of Germany, the United States, and France to free silver coinage in 1873. But for some years it was gradual, though it became more accentuated from year to year, and as the demand for money outran the supply. Various causes led to a minimizing of the fall in silver, not the least of which were our purchases of silver under the Bland act and the abnormal demand for silver in India, growing out of the stringency of the famine years 1877–1879.

But into these causes we need not go. It is sufficient to know that by June, 1884, silver had fallen by only about 14 per cent, which was equivalent to a premium on gold of about 18 per cent. Then the fall became more rapid—the fall by June, 1886, having reached 24 per cent, and three years later 28 per cent, equivalent to a premium on gold and bounty on exports into gold-using countries of 39 per cent. Then silver, consequent on the passage of the Sherman act, rose temporarily, but only to fall, upon our systematically discrediting our own silver coin by declaring gold to be alone suitable for purposes of redemption, to a discount of 36 per cent just before the closing of the Indian mints to free coinage in June, 1893. After that event and the repeal of the purchasing clause of the Sherman act, silver fell to a discount of 51 per cent in June, 1894, and it now fluctuates about this point. So it is that the Japanese enjoyed a premium on gold, a bounty on exports of 18 per cent in June, 1884, which bounty had increased to 32 per cent in June, 1886, and 39 per cent in June, 1889. During the first part of June, 1893, this bounty was 56 per cent, and now it is about 102 per cent.

As might have been expected, Japanese exports to gold-using Europe and America grew, while her foreign trade with the silver-standard countries of the East grew enormously, for all gold-using countries were handicapped in this trade by the premium on gold, which acted as a protective tariff. To the trade between Japan and these countries there was, of course, no impediment. And now let us see how the export and import trade of Japan has grown during the past eleven years. It is as follows:

Year.	Imports.	Exports.	Year.	Imports.	Exports.
	Yen.	*Yen.*		*Yen.*	*Yen.*
1884	33, 156, 000	33, 984. 000	1890	81, 836, 000	56, 687, 000
1885	32, 710, 000	37, 146, 000	1891	63, 851, 000	79, 595, 000
1886	37, 637, 000	33, 984, 000	1892	79, 952, 000	91, 178, 000
1887	51, 699, 000	52, 407, 000	1893	89, 355, 000	90, 419 000
1888	65, 549, 000	65, 767, 000	1894	101, 126, 000	105, 000, 000
1889	66, 236, 000	70, 176, 000	1895	129, 260, 000	136, 112, 000

The details of Japan's industrial growth under the stimulus of the premium on gold, acting as a tariff on imports and bounty on exports, are even more striking. And now let us examine some of the detail as to this expansion. In a volume of special Consular Reports on Money and Prices in Foreign Countries, recently issued by the State Department, we find a report on the currency of Japan, in relation to its general industry and trade, prepared by Prof. Garrett Droppers, a Harvard graduate, and now professor of political economy in the University of Keio, Tokyo. Our minister to the court of Japan, Mr. Dun, forwards this report, prefacing it with the remark that "the facts and figures given in the report are taken from Government sources and, so far as

possible, have been verified, and I am confident can be relied upon as being correct."

Professor Droppers does not expatiate on the beauties of the silver standard or any other monetary system; he simply contents himself with a marshaling of facts. And this is what he tells us: "In general, it is beyond dispute that during the past five or six years Japan has enjoyed a period of great prosperity. Scarcely any form of industry or production can be mentioned that has not, on the whole, proved a great success. There have been exceptional cases of failure it is true, but these are the result of definite and unavoidable causes, such as floods, earthquakes, and unfavorable seasons. During the past six years the rice crop has once been a failure, the silk crop twice, and during the present year (1896) many have suffered from flood and tidal waves." But, with these exceptions, "Japan has had," he tells us, "a period of uninterrupted prosperity that contrasts strangely with the experience of other countries."

Then he goes on to speak of the cotton-spinning industry. The production of cotton yarns in Japan increased from 52,900,000 kin ($1\frac{1}{3}$ pounds) in 1888 to 80,900,000 kin in 1892, and 113,200,000 kin in 1895, while imports of yarns fell off from 47,300,000 kin in 1888 to 24,300,000 in 1892, and 14,500,000 in 1895. The cotton yarns imported are of the finer sort, Japan not only producing all of the commoner sorts consumed, but actually exporting a considerable amount. Professor Droppers further remarks that despite the falling off in imports the importations of the finer yarns are slowly increasing, which shows that the rapid decline in importations is due "entirely to the sudden increase of the home production of certain grades." "It is important to note," he further remarks, "that the amount of yarns consumed per capita has shown a steady advance, indicating that the average purchasing power of the people is advancing."

Then our informant tells us of the spindles at work in Japan: 253,456 in 1890, 317,095 in 1891, 338,398 in 1892, 340,255 in 1893, 475,995 in 1894, 532,107 in 1895, and "from statistics recently compiled by the Government it is estimated that before the end of the year (1896) there will be no less than 1,000,000 spindles in operation in Japan. This rapid increase is remarkable. It has taken place in the face of a deep depression in America and Europe, and has not been aided in Japan by any protective tariff duty or other means, except fair competition. The duty on all imported commodities is only 5 per cent ad valorem."

This, under treaty stipulations exacted by England at the cannon's mouth, is the maximum rate of duties Japan can impose. New treaties have been signed to supersede these old treaties, but they have not yet gone into effect. But while England waged unjust war on Japan in her greed after markets, exacting a stipulation that no import duty of over 5 per cent should be imposed, she herself, following greed in another line, in cajoling her debtors into adopting the gold standard, blindly built up around Japan a protective tariff of 100 per cent in the shape of a premium on gold. So it is that greed defeats greed. In her efforts to take 2 bushels of wheat and 2 pounds of cotton from her debtors when but one was due, Britain has closed against herself the Eastern market. And so, after all, Japan has been aided in her development by other means than "fair competition." She has been aided by a protective tariff of 100 per cent.

As might be expected, the cotton mills that have grown up under this protection are wonderfully prosperous. There would be no such increase of spindles if they were not. Dividends range from 35 to 12

per cent, the shares of all the companies sell above par, and the average profit per spindle for the year 1895 was 3.56 yen—"an extraordinary profit," remarks Professor Droppers, "considering the depression in Europe and America in the same industry and the rapid increase in the number of spindles at work. It is a point to be taken into consideration," he further remarks, "that the experience of the Japanese in machine work is comparatively recent. The ordinary Japanese workman is entirely without that capacity for mechanical skill that we find so strongly developed in the English, French, and American workmen. As a result, many of the cotton factories in Japan are operated uneconomically as compared with similar factories abroad." Yet in spite of this want of intelligent labor the Japanese producer has beaten the skilled labor of Europe and America.

We further learn that the gross earnings of the Government road running between Tokyo and Kobe, 378 miles, were 3,348,721 yen, and the net earnings 1,879,959 yen for the year ending March, 1890. For the year ending March, 1896, gross earnings were 7,149,416 yen, and net earnings, 4,667,865 yen. "Japanese coal," we further read, "is found in all parts of the East, and is rapidly supplanting the coal of England and other European countries." In 1883 1,003,421 long tons (2,240 pounds) were mined in Japan, and in 1895, 4,426,000.

And so the story runs. In 1880, exports of raw silk came to the value of 8,606,000 yen; in 1888, to 25,916,000 yen; in 1896, to 47,866,000 yen. But even more striking is the increase in exports of manufactured silks. Here are the figures:

Year.	Yen.	Year.	Yen.
1888	1,680,000	1892	8,251,000
1889	2,908.000	1893	8,429,000
1890	3,853,000	1894	12,983,000
1891	4,182,000		

Japanese beer is driving German beer out of the Eastern markets, and Japanese matches are pressing for sale even in the markets of America. The exports of matches from Japan have increased from 793,316 yen in 1888 to 2,202,041 yen in 1892, and 4,642,212 yen in 1895.

We have gone far enough to show how the trade of Japan has expanded under the silver standard. The facts presented speak for themselves.

COUNT MATSUKATA'S SPEECH.

Count Matsukata, speaking in the House of Representatives on the 2d instant, said:

Before stating the reasons for introducing alterations in the coinage regulations, I wish to say one word on my own behalf. I have heard from my place in this House the question put by Mr. Komuro, but I shall not reply until the question reaches me in due form. Nevertheless, I say now that I regard his statements as unfit to have been uttered in this honorable House.

I now turn to the alterations that I ask to have made in the coinage regulations. It is hardly necessary to say that the nature of the coinage system bears a close relation to the interests of the country and to

the welfare of the people, in so far as its economic aspects are concerned. Therefore, in discussing my proposed alteration of the system, the fullest attention as well as the most minute investigations are unquestionably required. I desire to bespeak your attention to the statement I am now about to lay before you with regard to the system of coinage in our country.

Omitting all records that go back to ancient times, it may be asserted that the establishment of a general system of coinage in Japan dates from the Keicho era (1596–1614), when a mint was opened by the Tokugawa Government, and gold and silver coins were struck for general circulation, the media of exchange thus assuming a fixed and definite form. The system then inaugurated was bimetallic, with subsidiary coins of silver and copper. Later on the recoining of gold and silver became frequent and the quality of the metal deteriorated, so that the coinage was debased. Moreover, the relative values of gold and silver underwent fluctuations, owing to various causes. Ultimately, in the Ansei era (1854–1859), when the first treaty with a foreign power was signed, the ratio between the precious metals had become so anomalous, as compared with the ratio existing in foreign countries, that a given weight of gold could be purchased for eight times the corresponding weight in silver, whereas fifteen or sixteen times the weight had to be given in western countries. Commerce with the outer world having been suddenly commenced under such conditions, a large exodus of gold was the inevitable result, and, although the Tokugawa Government took steps to change the coinage and to raise the value of gold in terms of silver, with the object of preventing the efflux of the yellow metal to foreign countries, yet, as the measures were adopted after undue procrastination and partook of the character of mere expedients to tide over the emergency of the moment, no appreciable effect was produced.

In the beginning of the Meiji era the Government revised the system of coinage, and upon the basis of conclusions found by investigating all the best systems prevailing among other nations, and examining the precedents furnished by Japan herself, new coins were minted of perfectly uniform character and purity, and the gold standard having been adopted, the disorganized state of the currency was effectually corrected and the export of gold and silver ceased. Still, the overwhelming amount of business that had to be transacted at the time of the new Government's inauguration, the confusion accompanying the belligerent measures that had to be taken, and the empty state of the treasury resulted in an overissue of inconvertible paper, which virtually led once more to the export of the precious metals. It was in January of the first year of Meiji (1867) that the Government determined to have recourse to a fiat currency, the financial embarrassment being then very serious. The notes thus issued were known as daijokwan satsu, and they were to remain in circulation for a period of thirteen years, being inconvertible in the interim. Subsequently mimbusho satsu (home department notes) and other currency of various denominations were issued to a considerable amount. But despite the growing amount of paper currency put into circulation by the Government, the notes did not depreciate, their amount not being in excess of the business requirements of the time. They circulated for some years at par with hard money. Still, being inconvertible notes, they could not fail to gradually affect the country's foreign trade, stimulating the exodus of genuine coins.

Besides, the revision of the national-bank regulations in the ninth year of Meiji (1876) confirmed the inconvertibility of the paper

currency by deferring the period of redemption, and the volume then circulating reached thirty or forty millions of yen. Owing to these facts depreciation gradually set in, and was accompanied by the results always observable in such cases—export of the precious metals, excess of imports in the foreign trade, rise in the prices of commodities and in the rate of interest, and, finally, decline in the quotations for public-loan bonds. Moreover, habits of luxurious living became prevalent, a spirit of speculation sprang up, and, in short, the economics of the country fell into a disorganized and dangerous condition. The Government now began to feel serious anxiety about the state of affairs. It elaborated a resolute programme of financial adjustment, and adopted earnest measures to put it into practice. In the fourteenth year of Meiji (1881) steps were taken to organize the specie bank in order to afford facilities for the circulation of money in the channels of foreign trade; and in the fifteenth year (1882) further efforts were made to promote the circulation of money at home by the establishment of the Nippon Ginko, while a revision of the national-bank regulations and the promulgation of regulations for the issue of bank notes redeemable with silver were further steps, all forming part of the general scheme for placing the fiat currency on a hard-money basis. Moreover, all reserves of paper currency were collected into the treasury, bonds were issued for the purpose of withdrawing notes, the reserves were increased by curtailing administrative expenditures, any surplus of annual revenue was devoted to the redemption of paper, and specie was collected so as to increase the fund available for resuming hard-money payments.

Fortunately the discretion exercised and the schemes elaborated by the Government were rewarded with conspicuous success. The resumption of specie payments was effected in the nineteenth year of Meiji (1886); the paper currency, which had suffered a depreciation of 70 per cent as compared with silver, was restored to its original value, and circulated at par with silver, and all the incidents connected with fiat paper were finally terminated. With regard to coins, however, it is to be observed that the amount then circulating in the interior was exceedingly small, and since the scope of the employment of the 1-yen trade dollar had been extended by Notification No. 12 in May of the eleventh year of Meiji (1878), the gold-standard system had been disturbed and the country had become bimetallic in appearance. Silver, however, being used as the medium of exchange in all transactions, silver monometallism really prevailed, gold bearing a mere name, and gold coins taking no part in the currency. On the other hand, from the sixth year of Meiji (1873) the gold price of silver had gradually fallen, and it thenceforth continued to fall, until the value of the white metal in terms of gold is only one-half of what it used to be. Nor is depreciation the only remarkable phenomenon that silver presents; the fluctuations in its value have also been unlimited.

This great divergence in the relative values of gold and silver seems to have had its origin chiefly in the varying production of the two metals. Of late the silver produced in the world has reached an enormous amount. The production of the year before last was 170,000,000 ounces, and that of last year 200,000,000 ounces, a figure three times as great as that recorded twenty years ago. Side by side with this large increase of the world's stock of silver, the production of gold amounted to only 9,000,000 ounces the year before last and 10,000,000 ounces last year, a quantity not more than double of that produced twenty years ago. These figures I take from statistics compiled by the Superintendent of the Coinage Bureau of the United States. This

extraordinary difference in the production of gold and silver must have produced a corresponding divergence in the relative value of these two metals. Twenty years ago gold and silver were connected by the ratio of 1 to 15, but now that ratio has changed to about 1 to 30. It is consequently plain that the relative value of the metals is not determined by the amount of their production only, but that it is influenced by other artificial factors. Yet, viewed from the standpoint of production alone, the divergence is exceedingly remarkable.

The change in the ratio connecting the two metals having been so great, countries that adopted bimetallism or the silver standard found themselves seriously embarrassed, and in view of the danger connected with the continued use of the white metal, nation after nation resorted to gold monometallism, or, suspending the free coinage of silver, though nominally permitting bimetallism, became, in fact, a gold-standard country. Among the changes made in their systems of coinage by various nations, that adopted by Germany claims attention as among the most important. Although the political union of the various States of Germany had been effected, no steps were taken to place the coinage on a uniform basis, and we learn from the programme originally elaborated for reforming the currency that seven different systems of coinage existed in the German Empire at that time, most of them having the silver thaler as the standard. Different calculations had to be made in every locality, and indescribable inconvenience was experienced in fiscal and commercial affairs. The problem of establishing a uniform system was then taken up, and in 1871, namely, the fourth year of Meiji, a notification was issued providing for the coinage of gold. Fortunately at that time the war with France had resulted in the acquisition of the enormous sum of 1,395,000,000 thalers by Germany.

Gold monometallism became an accomplished fact in July of the sixth year of Meiji (1873), 340,000,000 thalers of the indemnity being appropriated for minting gold coins, and steps being also taken to obtain gold by the gradual sale of silver. Subsequently, however, owing to the depreciation of silver, these sales were suspended for a time, about the twelfth year of Meiji (1879). This amendment of her coinage system by Germany was attended by the most remarkable fluctuations ever experienced in the relative values of gold and silver, and established a precedent for other countries to discard silver and adopt gold. Simultaneously with the introduction of gold monometallism in Germany, a similar step was taken by Norway and Sweden. Moreover, France set limits to the receipt of silver by her mints. In the following year (1880) France, Italy, Switzerland, Belgium, and other countries formed a union, mutually pledging themselves to restrict the amount of silver coined during three years, subsidiary coins being, of course, excepted. In the eighth year of Meiji (1875) Holland made gold her sole legal tender, suspending the coinage of silver, and, among the States of the Latin Union, Switzerland abolished the coinage of silver. In the following year a similar course was adopted by Belgium and France. Other countries also, as Spain and Russia, stopped the free coinage of silver, and the United States of North America fixed a low limit to the legal-tender capacity of the white metal.

Thus the revision of her coinage system in Germany may be said to have had the effect of producing a panic in the various countries of Europe and America, which thenceforth essayed to hinder the exodus of gold and the ingress of silver. The white metal having been thus discarded on all sides, its gold price depreciated largely, in spite of

earnest efforts made by silver-possessing as well as silver-producing countries to bolster it up. As regards the United States of America, steps were taken to restore the capacity of legal tender to silver by the Bland bill of the eleventh year of Meiji (1878), but in the eighteenth year (1885) the coinage of silver was again suspended. Under the provisions of the Sherman bill, in the twenty-third year of Meiji (1890), the amount of silver purchased monthly by the Treasury was increased, the principle of bimetallism found favor, and other schemes of various kinds were resorted to, but, none of them having proved successful, the normal condition of gold appreciation and silver depreciation was subject to no further interference. In the twenty-fifth year of Meiji (1892), Austria-Hungary, with a fine display of resolution, issued gold-loan bonds to the amount of 183,456,000 thalers, and, having struck new gold coins with the metal thus obtained, adopted gold monometallism.

In the twenty-sixth year of Meiji (1893), India, famous for the production of silver, also stopped the free coinage of that metal, and, appraising the rupee at a fixed sterling value, declared that the coin should be legal at the rate of one shilling and four pence. Russia also suspended the coinage of silver, directing her efforts to the purchasing of that metal in both domestic and foreign markets, while the United States, on their side, totally abolished the regulations for the official purchase of silver. More recently, among the countries of South America, Chile became a gold-using State in the twenty-eighth year of Meiji (1894), and Costa Rica adopted the gold standard last year. In the United States of North America, where silver bears an especially important relation to the interests of the people, the theory of gold monometallism having gained public support, the general condition of the world seems to indicate a tendency to use gold in preference to silver.

Independently of the fact that the various countries of Europe and America have adopted the gold standard, so many measures are adopted to obtain gold that the demand for it has greatly increased; and further, the tastes of various nations having turned in a marked measure to the yellow metal, a considerable quantity is now used in art manufactures. It is also hoarded by some persons who regard it as permanently secure against depreciation. All these circumstances have swelled the demand for gold. With regard to silver, however, the reverse is the case. Not only has the demand for it for coinage purposes decreased steadily, but also its employment in art manufactures, and the tendency to hoard it has not increased in proportion to the growth of the supply. Various uncivilized countries which were expected to prove absorbents of silver and to increase the demand for that metal have not justified these expectations. The supply of gold is hardly sufficient to meet the demand, while, on the other hand, the supply of silver is always in excess of the demand. Such being the case, the appreciation of gold and the depreciation of silver are inevitable consequences. In view of the extraordinary fluctuations in the value of silver, which are destined to inflict much injury on a silver-using country like Japan, the Government, by imperial ordinance, issued in October of the twenty-sixth year of Meiji (1893), appointed a commission to investigate the various systems of coinage.

The principal points submitted for investigation by the commission were:

First. The cause of the recent fluctuation in the relative values of gold and silver, and the general results of that fluctuation.

Second. The effects produced in the economy of Japan by the fluctuations in the relative values of silver and gold.

Third. Whether the recent fluctuations in the relative values of gold and silver indicate a necessity to introduce alterations in the system of coinage now in operation in Japan; and if they do indicate such necessity, what system should be adopted, and what measures should be taken to adopt it.

The commission began its work in October of the same year, and after twenty-two months of zealous assiduity completed its investigations in July of the twenty-eighth year of Meiji (1895). According to the report of the commission, it appeared that after various discussions, the detailed account of which may be omitted here, being accessible in the report itself, a decision was arrived at in favor of adopting the gold-standard system, six of the members voting in that sense against two, who alone approved of bimetallism. In short, the almost unanimous views of the commission were in favor of altering the present system and adopting the gold standard. But to introduce gold monometallism, the difficulty in making sufficient provision of gold for the purpose presented large dimensions at the time, and, moreover, the prices of commodities having risen considerably, the country enjoyed temporary prosperity. Hence the decision of the commission could not be carried into effect. The affair of the twenty-seventh and twenty-eighth years (1894–95) and its sequel, the Shimonoseki treaty, resulted in the acquirement of an indemnity of 200,000,000 taels from China, with an additional 30,000,000 by way of compensation for the retrocession of the Liaotung Peninsula.

As these sums were to be procured by China's raising gold loans in the markets of Europe, it was stipulated, as a matter of mutual convenience, that Japan should receive the money in English gold coins. The gold coins thus received up to the end of last year amounted to over £22,400,000, and by appropriating this the Nippon Ginko's gold reserve is expected shortly to reach the sum of 109,000,000 yen. Of that total over 36,700,000 yen is actually lodged in the bank's vaults, and the sum of over 72,600,000 yen, which is shown in the accounts as having been borrowed by the Government from the bank, has to be paid back in gold by the Government. Further, there is a prospect of obtaining reserves of silver to the amount of more than 49,000,000 yen, and this, added to the gold, will form an aggregate reserve of 158,000,000 yen, which is more than half of the total paper currency of 200,000,000 yen. Under these circumstances it may be assumed that the provision of the precious metals necessary for introducing gold monometallism, on account of which no little anxiety was entertained, is now complete.

Now, turning to the prices of commodities in our country, we find that, after the conclusion of the affair of the twenty-seventh and twenty-eighth years (1894–95), prices rose considerably, so that serious disadvantages were inflicted upon our commerce. Statistics show that the prices of commodities last year were 30 per cent higher on the average than in the twenty-first year of Meiji (1888), and 26 per cent higher than they were immediately prior to the war. It may be useful to refer briefly here to the causes of this rise. Some are inclined to attribute the phenomenon entirely to the expansion of the currency. The volume of the currency, it is true, has expanded a little, but if the amounts sent to China, Korea, and Formosa be deducted, and due account be taken of the development of enterprise in various localities, and the

growth of foreign trade, there is no reason to suppose that any excess of currency is responsible for the rise of prices. What, then, are the principal causes of the appreciation of commodities? I venture to assert that though increased demand may be one of the causes, the depreciation of silver is chiefly, if not entirely, responsible for the phenomenon.

Even granting that the causes are manifold and that they can not be determined at once, the plain fact remains that commodities have risen extravagantly in price, and that results not a little disadvantageous have been experienced by commerce. Such a state of affairs may be considered, in some degree, a natural outcome of the war; but it is certainly very remarkable that imports last year show the extraordinary excess of 53,000,000 yen over exports. In consideration of the fact that a gold reserve is provided, or of the fact that commodities have abnormally appreciated, from any point of view, in truth, I am justified in inferring that a unique opportunity now presents itself for the adoption of gold monometallism. I am persuaded that you have fully understood my remarks, so I will now venture to speak of the programme to be pursued in effecting the proposed change.

In the proposed reform of the coinage system there are two principal points calling for consideration. The first is that the new gold coins are to be exactly one-half of the weight of the present coins; that is to say, are to contain one-half of the weight of pure gold. That is the monometallic basis prescribed in the new coinage regulations.

The second point is that the silver coins of the old system are to be abolished and gold coins substituted for them. The discretion that must be exercised in introducing changes into the coinage system has, for its prime object, the prevention of fluctuations in the prices of commodities and the avoidance of any change in the relation of debtors and creditors, or of any increase in the burden of taxation or any obstacles to the smooth conduct of business. The utmost attention has been paid to these points, and arrangements are to be made for the circulation of new gold coins, which shall be an exact multiple of the present 1-yen silver pieces. It is, of course, very important to consider how the intrinsic value of the gold coins should be determined. Careful consideration of the subject shows that an average of the relative values of gold and silver during several years answers the purpose. But, as I have already stated, there are great difficulties in finding the average value of silver, so liable is it to extreme fluctuation. Whatever average be assumed, it is sure to be at variance with the practical experience of the time. There is no alternative but to depend upon the latest market quotations.

The fact of our country's adopting gold monometallism is sure to tend to the greater or less appreciation of gold. Thus it becomes necessary to appraise gold at a higher rate than it actually commands, so as to anticipate future fluctuations. The average ratio between gold and silver in the London market during January of this year was a little less than 1 to 32. That ratio may be raised a little, and the figures may be taken at something over 1 to 32. Then the old 1-yen gold piece will become double the value of the new coin and great convenience will be attained, since the old and new coins may circulate side by side. The reason why the ratio has been determined by reference to the market prices in London, instead of taking the market prices in our own country, is because gold has a smaller value in Japan than abroad, on account of having been withdrawn from circulation for a long time. It may be urged that this appreciation of the silver price of gold, trifling as the increase is, will tend to enhance the prices of commodities to the extent

by which the gold price of silver is depreciated. But I do not anticipate that the consequences will be so serious as to produce any practical effect upon business. Taking these circumstances into consideration, if revision of the coinage system proceed on the above lines, I believe that no fluctuation or discord will occur in the market for commodities, in the wages of laborers, in the relations between creditors and debtors, in the burden of taxation, or in any other matters connected with the measure.

I have next to speak about the method of dealing with the 1-yen silver coins, which have been circulating in Japan as the legal tender to an unlimited amount since the 11th year of Meiji. In suspending the circulation of this silver a proper period must be allowed, and though during that period it must be suffered to circulate as before, yet it must be withdrawn from circulation at the earliest convenient date. In the place of 1-yen silver coins, 50-sen pieces and those of lower denominations will be struck, and as the 1-yen silver notes will remain in circulation for sometime, no inconvenience can possibly occur in business transactions. These notes also may be decreased in volume or dispensed with hereafter when they cease to be of any further use for currency purposes.

I may here tell you that simultaneously with the development of various enterprises an increased issue of subsidiary coins will become necessary, and that the issue of such subsidiary coins in exchange for 1-yen silver pieces, so as to keep plenty of media of exchange in circulation, is virtually the means of consolidating the foundations of the new coinage system.

Although I have arranged to withdraw 1-yen silver coins, and to have convertible notes exchangeable against gold, yet, following the example set by the bank regulations of England and Holland, I have also made provision for keeping a reserve of silver, to a limited amount, as specified in the regulations of the Nippon Bank, that it may be available in time of future need. All imperfections that I have detected in the present coinage regulations have been eliminated.

I wish further to say a few words about the anxiety entertained by many persons on various points. The export of 1-yen silver coins from our country has really been considerable, the amount exported up to January of this year being 112,000,000 yen. It may be questioned whether silver will not be imported under the new system, and whether the exit of gold will not result. As you doubtless know, the silver that has gone out of the country has been taken chiefly from China where it is treated almost as bullion, and being greatly defaced is rendered unfit for circulation as coin. The inquiries show that silver not thus disfigured is seldom found, except in Hongkong, Singapore, and other neighboring countries, and as it is used in these places for all ordinary transactions, there need be little anxiety that it will be presented for exchange.

The latest information I have obtained corroborates all these facts, and nothing can be more certain than that there is little silver in circulation in those places; whereas silver here being valued at a lower gold price proportionately than it commands elsewhere, there is no reason to expect that it will be presented for exchange.

Thus it follows that gold will not be exported or drawn away to any considerable extent.

With regard to the anxiety that although there is a sufficient reserve of gold now, yet a difficulty may arise in future in maintaining the present figure, I may be allowed to say that so long as our producing

and exporting capacity is not promoted the same cause for anxiety exists even with the silver standard in operation.

A retrospect of our past progressive history shows that the trade, as well as the productive industry of our country, can not fail to be developed to a state of marked prosperity.

With the exception of such an unusual year as the last, the average excess of imports from silver-using countries, since the twenty-first year of Meiji, was 10,500,000 yen, but the excess of exports to gold-using countries being over 11,000,000 yen, the balance shows a sum which we may look to receive in gold. If we may hope to progress in that degree, then we need not entertain any fear. Moreover, as Japan is closely connected by her geographical position with gold-producing countries, such as Australia and California, and since gold is annually exported to us from China and Korea, there will be no difficulty in obtaining the yellow metal if we but take the trouble to do so. Anxiety is also felt by some as to our foreign commerce. It is true that the trade of our country seems to have progressed to a certain extent in consequence of the depreciation of silver, until the rise of wages and the appreciation of commodities has become extremely remarkable. Of late years Japan's foreign commerce has made considerable strides, but that can not be attributed to the depreciation of silver alone. Facilities of transport and communication, combined with the progress of education, must have been the principal cause of the development. When the prices of commodities rise so extravagantly as they have now done, not only do we fail to reap any benefit from the depreciation of silver, but we are likely to be overwhelmed with injury from that cause.

The change of our standard to gold may not handicap us sensibly in competing with other gold countries for the trade of a silver-using nation like the Chinese, for we continue to enjoy the advantages of proximity to the oriental markets and of cheapness of all sorts of labor.

It is feared by some that should the gold price of silver fall hereafter, considerable embarrassment will be felt in connection with China's silk and tea, with which we have to compete in the markets of gold countries. Such embarrassment, if it be felt at all, will be only temporary, and will be amply compensated by the benefits resulting from gold monometallism, which guarantee us against fluctuations in the rate of exchange. Similar doubts were inspired at the time of altering the system of coinage in India, but the committee appointed to investigate the matter reported confidently that the change had not worked in the manner feared.

Any alteration in the system of coinage has evoked various criticism in all countries, and is regarded as a step of which unanimous approval can never be expected. The opposition commonly encountered by reformers has generally no basis except people's inclination to maintain what they have already and to cavil at any alteration. I have repeatedly shown that fluctuations so acute as those to which the gold price of silver is subject are fatal to the healthy growth of our commerce.

The next strongest opposition comes from those that advocate the adoption of bimetallism. That tendency prevailed among learned men in Europe and America and also among persons engaged in oriental trade. The problem is in itself very difficult to solve with a view to the practical enforcement of bimetallism. The principle of bimetallism amounts, in fact, to the simultaneous or optional use of gold and silver, and can not possibly be asserted in practice by the independent strength of a single country.

Here I must say a word about the International Coinage Conference. It was convened several times with a view to the rehabilitation of silver, and to reintroduce the system of bimetallism, but its labors were quite unfruitful. The latest conference was held in the twenty-fifth year of Meiji (1892), at the suggestion of America, in the city of Brussels, and representatives from twenty countries were present. This assembly, however, was closed without coming to any decision. Later, namely, in the year before last, a suggestion for holding an international conference with regard to coinage emanated from various States of Europe and America, but no practical result has been attained up to the present day. England, which is financially the most influential among the powers of Europe, having revised her system of Indian coinage in the year following the international conference, there is little ground for anticipating the international adoption of bimetallism. Even supposing that the States on the West form a union for the purpose, and that bimetallism be introduced, the adoption of gold monometallism on our own part will present no obstacle. In short, the system of bimetallism can not be carried into effect without the safeguard of international agreement; and since there is a great difficulty in effecting such an agreement, it would be most unwise to defer such an important reform as that now engaging our attention merely on the chance of the bimetallic problem's being solved. From all these circumstances it will be seen that no anxiety need be felt or opposition organized with respect to the present question.

I will now lay before you some of the advantages accruing from revision of the coinage system, as well as the necessity of revision. The chief economic advantage we may expect to gain is that we shall avoid fluctuations in the prices of the commodities. The adoption of the gold system can not fail to lessen such fluctuations, so that the anomaly of constant ups and downs in the price of commodities may eventually be avoided. Great appreciation of price may produce a temporary state of prosperity in the market, but, as materials and wages must be gradually influenced by the anomaly, the final issue must be not only injury to production but the decrease of exports. On the other hand, any sudden fall of the price of commodities is sure to inflict loss on the commercial community and to impair the circulation of money. These abuses and injuries, however, are inseparable from the silver system, and can not be avoided except by a recourse to gold monometallism.

The second profit that we may hope to derive from the gold standard is an increase of exports. A gold system secures convenience of trade with foreign countries having a similar system, and prevents fluctuations in the price of commodities. Hence productive power is developed and the export trade is promoted. Another advantage is that fluctuations in exchange are obviated. A silver country like Japan suffers so considerably from the depreciation of silver in gold countries that its trade is almost crippled, owing to constantly shifting rates of exchange. This evil can at once be removed by the adoption of the gold standard. Finally comes the question of access to larger stores of capital. The progress we have made in western civilization has imposed upon us the necessity of holding close communication with the markets of the world. But we are separated from Occidental nations at present in the matter of monetary circulation. That inconvenience will be removed by bringing our coinage system into uniformity with theirs, and considerable facilities will be gained for the circulation of money and with respect

to financial affairs generally. Still, the question of the monetary standard is of such great economic importance that it ought not to be decided on the basis of financial convenience alone.

In deciding to introduce gold monometallism, the history of our country since the Keicho era, as well as domestic and foreign conditions have been taken into account, with the view of consolidating the basis of our coinage and promoting the healthy development of the national economy. An established opinion exists among various nations with respect to this very question. Austria has solved the problem, even by the issue of a foreign loan, and though there is more or less controversy about the desirability of bimetallism, that is an academical matter at present, whereas the question we have to deal with is essentially practical. The gold that we now possess, if left to itself, will be absorbed by other nations, and it will be extremely difficult to recover it again. We now have a rare opportunity for laying in a stock of gold, and resolute steps in that sense seems desirable. Any delay must be attended with financial anxiety and not a little injury. I hope the question will be promptly investigated and approved, as it is of vital moment to the State.